

AMENDED IN SENATE APRIL 13, 2010

**SENATE BILL**

**No. 1240**

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**Introduced by Senator Corbett**

February 19, 2010

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An act to add Section 32121.6 to the Health and Safety Code, relating to local health care districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 1240, as amended, Corbett. Local health care districts: operation of facility by another entity.

Existing law, the Local Health Care District Law, provides for the formation of local health care districts and, until January 1, 2011, authorizes each local district to transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets. After January 1, 2011, existing law changes that provision to restrict these transfers only to nonprofit corporations.

This bill would, notwithstanding any provision of law, require a contract for operation of a district facility by another entity to (1) preclude assets, including, but not limited to, all revenue generated by the district facility, from being used for the benefit of any person or entity other than a hospital within the jurisdiction of the district, (2) require the hospital and the operating entity to annually undergo an independent fiscal audit and that the resulting report be made public, and (3) preclude, in the case of a subsequent sale of the facility or any assets of the district to the operating entity, any ~~loses~~ *losses* incurred by the entity in the operation of the facility from being used as a credit against the purchase price of the facility or other district assets. By requiring that districts comply with these requirements, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 32121.6 is added to the Health and Safety  
2 Code, to read:

3 32121.6. (a) Notwithstanding any provision of law, when a  
4 district contracts with another public or private entity to operate  
5 one or more of its health facilities, the contract shall comply with  
6 all of the following requirements:

7 (1) No assets of the district, including, but not limited to, all  
8 revenue generated by the district facility or facilities being operated  
9 by the other entity shall be used for the benefit of any person or  
10 entity other than a hospital within the jurisdiction of the district.

11 (2) The hospital and the operating entity shall annually undergo  
12 an independent fiscal audit and the resulting report shall be made  
13 public by the district.

14 (3) In the case of a subsequent sale of the hospital facility or  
15 any other assets of the district to the operating entity, any ~~loses~~  
16 *losses* incurred by the entity in the operation of the facility shall  
17 not be used as a credit against the purchase price of the facility or  
18 other district assets.

19 (b) Subdivision (a) ~~shall have retroactive effect, and shall apply~~  
20 ~~to contracts entered into prior to January 1, 2011, all existing and~~  
21 *future contracts*, unless there has been full performance by both  
22 parties prior to January 1, 2011. *For purposes of this section, "full*  
23 *performance" means the complete execution by all parties of all*  
24 *terms and conditions of a contract.*

25 SEC. 2. If the Commission on State Mandates determines that  
26 this act contains costs mandated by the state, reimbursement to  
27 local agencies and school districts for those costs shall be made

- 1 pursuant to Part 7 (commencing with Section 17500) of Division
- 2 4 of Title 2 of the Government Code.

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